

Message Text

PAGE 01 STATE 007324

16

ORIGIN EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 SCI-06

SCEM-02 INT-08 AF-10 NEA-10 /214 R

DRAFTED BY EB/IFD/OMA: HCHEATHAM

APPROVED BY EB/IFD/OMA:JKRIZAY

EUR/RPE:MR. KINNELLY

T/IEP:RMWRIGHT

EUR/GER:MR. HEICHLER

COMM MR STRAUS

CIEP:MR. ERB

UR/UK:MR. FLOYD

CEA:MR. FELLNER(INFO)

TREAS:MR. HAYES

EA/J:MR. PIEZ(INFO)

EB/ORF/FSE:MR. MAU (INFO)

----- 083340

P 120157Z JAN 74

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

USMISSION OECD PARIS

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY ROME

AMEMBASSY BERNE

CONFIDENTIAL

PAGE 02 STATE 007324

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

C O N F I D E N T I A L STATE 007324

E.O. 11652:GDS

TAGS: EFIN, ECON, ENRG, OECD

SUBJECT: T/IEP: FEBRUARY 11 FOREIGN MINISTERS MEETING ON
INTERNATIONAL ENERGY PROBLEMS

REF: STATE 002951

1. FOR THE FEBRUARY 11 CONFERENCE OF FOREIGN MINISTERS CALLED BY THE PRESIDENT TO CONSIDER INTERNATIONAL ENERGY PROBLEMS, THE CIEP IS PREPARING A WORLD ECONOMIC OUTLOOK REPORT THAT WILL REFLECT THE CHANGED SITUATION BROUGHT ON BY HIGHER OIL PRICES, MIDDLE EASTERN PRODUCTION CUTBACKS, AND THE OIL EMBARGO.

2. IN A PRELIMINARY CIEP FORECAST, THE ECONOMIC OUTLOOKS FOR THE U.S. AND FOR THE OTHER DEVELOPED COUNTRIES WERE CHARACTERIZED AS FOLLOWS:

(A) THE U.S. WILL EXPERIENCE A LOWER GROWTH RATE FOR 1974 THAN IT OTHERWISE WOULD HAVE, AROUND 1.0 VS. AROUND 2.8 PERCENT, AND A HIGHER INFLATION RATE, AROUND 7.2 VS. AROUND 6.0 PERCENT. THUS, THE OIL PRICE INCREASE IS EXPECTED TO HAVE A RELATIVELY MODERATE EFFECT, EXCEPT FOR THE FIRST QUARTER OF 1974, ON THE U.S. ECONOMY.

(B) FOREIGN COUNTRIES WILL EXPERIENCE SUBSTANTIALLY LARGER REDUCTIONS IN REAL GROWTH AND LARGER INCREASES IN INFLATION BECAUSE OF THE GREATER RELATIVE IMPORTANCE OF IMPORTED OIL IN INDUSTRIAL PRODUCTION.

3. IN MAKING THIS FORECAST, ASSUMPTIONS HAD TO BE MADE ABOUT FOREIGN DEVELOPMENTS FOR WHICH INSUFFICIENT INFORMATION IS AVAILABLE IN WASHINGTON. SOME OF THE UNCERTAINTIES UNDERLYING PROJECTIONS OF THE FOREIGN SECTOR WERE:
CONFIDENTIAL

PAGE 03 STATE 007324

(A) THE ASSUMPTIONS USED ABOUT FOREIGN GROWTH RATES AND INFLATION ARE MOSTLY GUESSES. LITTLE IS KNOWN ABOUT STRUCTURAL CHANGES WHICH WILL OCCUR ABROAD AND HOW THESE CHANGES WILL AFFECT THE LEVEL AND STRUCTURE OF THE U.S. TRADE BALANCE AND THUS THE U.S. ECONOMY.

(B) ANOTHER MAJOR UNKNOWN IS HOW FOREIGN GOVERNMENTS WILL ADAPT FISCAL AND MONETARY POLICIES TO THE NEW ENERGY SITUATION.

(C) CHANGES IN RELATIVE PRICES BROUGHT ON BY THE OIL CRISIS WILL TEMPT COUNTRIES TO IMPOSE EXPORT CONTROLS OR LIBERALIZE IMPORT POLICIES FOR GOODS IN

SHORT SUPPLY AND EMPLOYMENT DISRUPTIONS IN INDUSTRIES FACED WITH A DECLINING DEMAND MAY CAUSE GOVERNMENTS TO CONSIDER IMPORT CONTROLS FOR OTHER GOODS. GREAT UNCERTAINTY EXISTS ABOUT THE POTENTIAL MAGNITUDE OF EXCHANGE RATE MOVEMENTS. WHAT IS THE RISK OF COMPETITIVE DEVALUATIONS BY COUNTRIES TRYING TO PROTECT AN ERODING CURRENT ACCOUNT? HOW MUCH USE WILL GOVERNMENTS MAKE OF CAPITAL CONTROL OR INCENTIVE PROGRAMS? WE ARE UNSURE HOW A MUCH LARGER NON-OPEC LDC CURRENT ACCOUNT DEFICIT (INITIALLY PROJECTED TO INCREASE BY ABOUT DOLS. 20 BILLION IN 1974) WILL AFFECT THE TRADE AND THE LEVEL OF ECONOMIC ACTIVITY IN MAJOR TRADING PARTNERS.

4. WASHINGTON COULD HAVE GREATER CONFIDENCE IN THE ESTIMATES WE ARE DEVELOPING IF SOME OF THE ABOVE LACUNAE IN THE INFORMATION FLOW COULD BE FILLED IN. OECD MEETINGS IN THE NEXT FEW WEEKS WILL PROVIDE OCCASIONS FOR MEMBER COUNTRIES TO DISCLOSE THEIR OWN ECONOMIC PROJECTIONS AND MONETARY AND FISCAL MEASURES UNDERTAKEN OR PLANNED TO EASE ECONOMIC DISRUPTIONS. AND OF COURSE THE OECD SECRETARIAT WILL BE MAKING ITS OWN PROJECTIONS AND EVALUATIONS OF MEMBER GOVERNMENT POLICIES

5. GIVEN THE URGENCY IN WASHINGTON FOR MORE AND HARDER

CONFIDENTIAL

PAGE 04 STATE 007324

INFORMATION DUE TO THE PROXIMITY OF THE FOREIGN MINISTERS' MEETING, HOWEVER, THE ADDRESSEE POSTS ARE BEING ASKED TO DO A WRAP-UP OF POLICY CHANGES--MADE OR PLANNED--AND OF AVAILABLE POST-DECEMBER PROJECTIONS FOR HOST COUNTRY ECONOMIES. INFORMATION SHOULD COME FROM LOCAL SOURCES; WE DO NOT EXPECT EMBASSY STAFFS TO DEVELOP DATA ON THEIR OWN.

6. IF SHORT DEADLINE LIMITS YOUR ABILITY TO OBTAIN ALL AVAILABLE INFO REQUESTED, YOU SHOULD GOVERN YOUR EFFORTS BY THE FOLLOWING ORDER OF PRIORITIES:

(A) MONETARY AND FISCAL POLICIES (E.G., INTEREST RATE, TAX, GOVERNMENT SPENDING, MACROECONOMIC EMPLOYMENT POLICIES).

(B) GENERAL TRADE POLICY (E.G., WHAT RESTRAINTS HAVE GOVERNMENTS PLACED ON OIL PRODUCTS AND OTHER GOODS IN SHORT SUPPLY AS A RESULT OF THE OIL CRISIS?)

(C) WHAT ARE THE POST-DECEMBER PROJECTIONS OF GNP GROWTH, UNEMPLOYMENT RATE, GNP DEFLATOR, WHOLESALE AND RETAIL PRICE INFLATION RATES, TRADE AND CURRENT

ACCOUNT BALANCE?

(D) INFORMATION ON SUPPLY BOTTLENECKS, SHIFTS IN DEMAND AND EMPLOYMENT FOR MAJOR SECTORS OF THE ECONOMY OCCURRING OR ANTICIPATED, WAGES. POSTS SHOULD BE CAREFUL TO SPELL OUT SOURCE OF DATA, AND ASSUMPTIONS ON WHICH PROJECTIONS, GOVERNMENT PLANS FOR POLICY CHANGES, AND ANTICIPATED SECTORAL BOTTLENECKS AND SHIFTS IN DEMAND ARE BASED.

7. SINCE MUCH INFORMATION ON GOVERNMENT PLANS AND PROJECTIONS BEING REQUESTED WILL BECOME AVAILABLE THROUGH OECD MEETINGS AND REPORTS AND ALSO BECAUSE GOVERNMENT PROJECTIONS MAY BE BIASED BY DOMESTIC AND INTERNATIONAL POLITICAL CONSIDERATIONS, WE ARE PARTICULARLY INTERESTED IN GETTING THE VIEWS OF REPUTABLE RESEARCH INSTITUTIONS. AT SOME POSTS BANKS, BUSINESS ORGANIZATIONS, AND PRIVATE CONSULTANT FIRMS
CONFIDENTIAL

PAGE 05 STATE 007324

MAY ALSO HAVE A CAPABILITY FOR GENERATING THE TYPE OF ESTIMATES BEING ASKED FOR HERE. THE POSTS SHOULD NOT, OF COURSE, NEGLECT TO PROVIDE THE BEST INFORMATION OBTAINABLE FROM HOST GOVERNMENTS. (FOR EC AND OECD: INTERNATIONAL SECRETARIATS MAY ALSO BE HELPFUL WITH INFORMATION BEING SOLICITED HERE.)

8. ADDRESSEE POSTS ARE REQUESTED TO SUBMIT FIRST REPORT NLT JANUARY 21. WEEKLY UPDATES SHOULD BE MADE UNTIL CONVENING OF FOREIGN MINISTERS MEETING. RUSH

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, IMPORTS, EXPORTS, LESS DEVELOPED COUNTRIES, INFLATION, GNP, FOREIGN MINISTERS MEETINGS, ECONOMIC REPORTS, PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE007324
Document Source: ADS
Document Unique ID: 00
Drafter: EB/IFD/OMA: HCHEATHAM
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740175/abbrzbsd.tel
Line Count: 197
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 002951
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Jul-2001 by boyleja>; APPROVED <15 MAY 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: T/IEP: FEBRUARY 11 FOREIGN MINISTERS MEETING ON INTERNATIONAL ENERGY PROBLEMS
TAGS: EFIN, ECON, ENRG, US, OECD
To: EC BRUSSELS
BONN
BRUSSELS
LONDON
OSLO
OTTAWA

OECD PARIS
PARIS
THE HAGUE
TOKYO
STOCKHOLM
ROME
BERNE
LUXEMBOURG
COPENHAGEN

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005